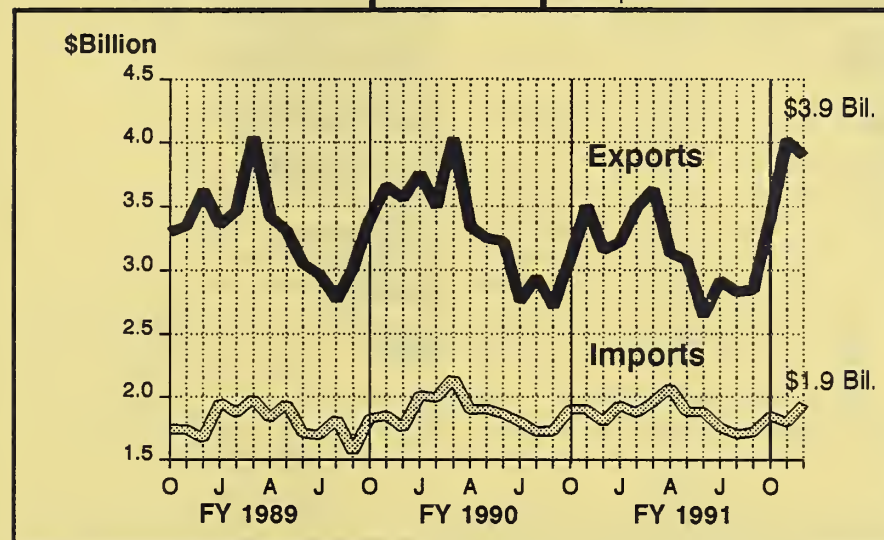


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AGRICULTURAL TRADE HIGHLIGHTS

December Agricultural Exports Up 23 Percent--Surplus Tops \$2 Billion



December trade statistics released on February 20 by the Commerce Department placed the value of U.S. agricultural exports at \$3.9 billion, down 3 percent from November but up 23 percent from the same month last year. Wheat, soybeans and meal, horticultural, and dairy products registered strong gains, accounting for most of the month's increase, which was the highest December export level since 1981. At 13 million tons, export volume was strong as well, rising 29 percent over last December, but falling 9 percent from November's levels.

December's performance brings the cumulative fiscal 1992 (October-December) total to \$11.3 billion and 39.5 million tons, up 16 and 24 percent, respectively, from the same period last year.

At just under \$2 billion, U.S. exports of bulk commodities rose 24 percent from December 1990. The \$373-million gain was the result of large increases in wheat and soybeans exports. This performance more than offset smaller losses in tobacco, cot-

ton, and rice. To-date, bulk exports of \$5.3 billion remain well ahead of year-earlier levels (up 15 percent).

U.S. exports of intermediate high-value products also increased in December, rising 22 percent to \$864 million. Three product categories registered most of the gain, including soybean meal, live animals, and planting seeds. Soybean oil registered the largest percentage gain for the month, rising 557 percent, or \$22 million. Overall, the intermediate products did very well for December with only three categories recording losses for the month--wheat flour, hides and skins, and animal fats. December's exports helped to maintain the intermediate high-value category's lead over 1991, with year-to-date totals running 14 percent ahead of the same period last year.

U.S. exports of consumer-oriented products registered yet another rise in December--up 24 percent to just over \$1 billion. Interestingly, not one of the 16 categories in this sector registered a loss, with most recording double-digit gains. Among the top

performers were dairy products, red meats, horticultural products, and snack foods. December's performance brings the year-to-date total to \$3.5 billion, 19 percent ahead of the same record-setting period last year, led by broad-based gains in nearly every consumer-oriented category.

Trade performance with the top 10 U.S. agricultural export markets was mostly up for December, with only 2 countries falling from year-earlier levels. The Republics of the former Soviet Union continue to show dramatic improvement, rising 439 percent over last December. Also impressive was Mexico's rise of 56 percent, Taiwan's gain of 72 percent, and the European Community's 10-percent jump. Other countries registering increases for December included Canada (up 18 percent), China (up 60 percent), Korea (up 11 percent), and Hong Kong (up 6 percent).

U.S. agricultural imports for December rose 7 percent from year-earlier levels to \$1.9 billion. Combined with the month's exports, December's agricultural trade surplus totaled \$2 billion--\$640 million more than last December.

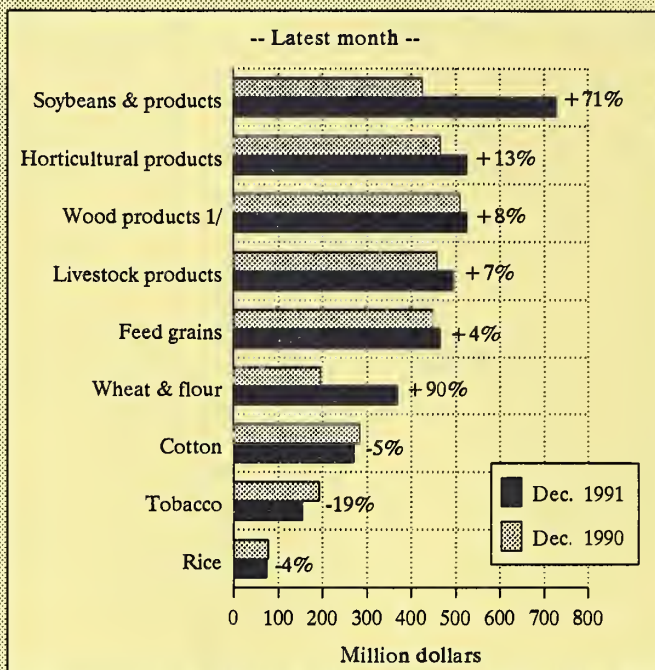
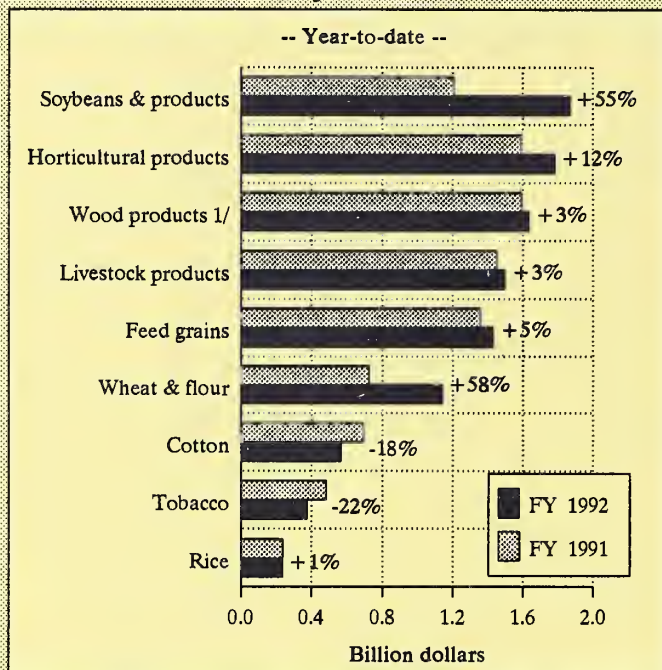
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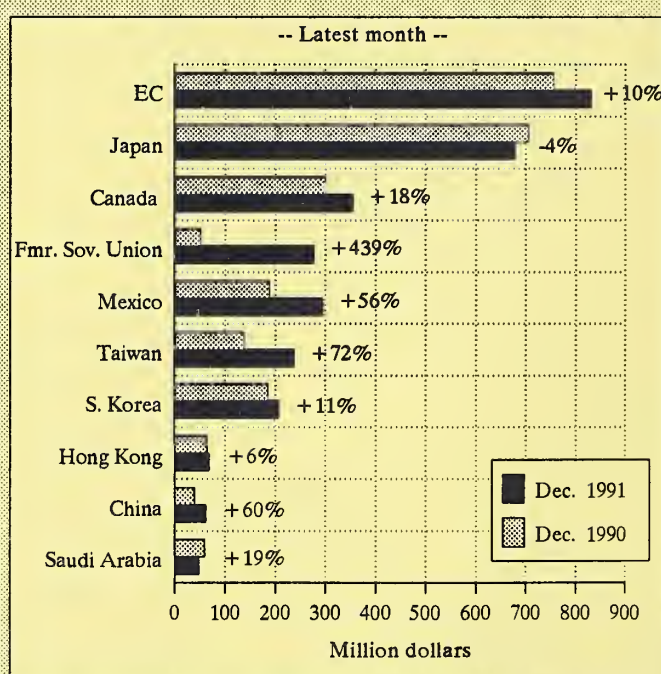
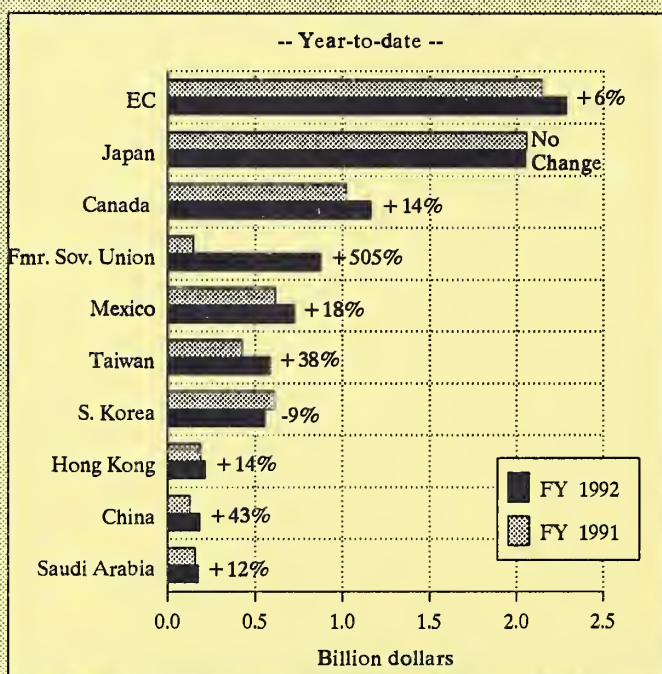
U.S. Agricultural Export Summaries

October-December and Latest Month Comparisons

Product Summary



Top Ten Markets Summary



Note: Percentages are computed as the change from a year ago.

1/ Not included in agricultural totals.

Commodity Highlights

December exports of agricultural products rose to \$3.9 billion, the second highest December on record and 23 percent higher than last year. Notable gains occurred in sales of wheat, soybeans, and horticultural products.

Wheat and wheat flour sales of \$369 million rose \$175 million from last December. Most of this is due to strong sales to the former Soviet Union compared to unusually weak December 1990 sales in which the former Soviet Union was completely absent from this segment of the market. Egypt and Pakistan accounted for much of the remainder of the gain, with sales rising \$37 million and \$34 million, respectively. Fiscal year-to-date sales (October-December) are up 58 percent in value and 67 percent in volume over the same period a year ago.

Feed grain exports grew 4 percent in value in December, reaching \$466 million, but fell 4 percent in volume. This divergence is the result of higher export prices resulting from lower U.S. corn stocks. Sales rose to Taiwan (up \$38 million), Mexico (up \$22 million), Israel (up \$11 million), and the former Soviet Union (up \$10 million). These largely offset sales declines to Egypt (down \$16 million), the EC (down \$14 million), Yugoslavia (down \$12 million), and Brazil (falling \$9 million). December's performance brings the fiscal year-to-date figure to \$1.4 billion, up 5 percent from last year, while volume is virtually unchanged at 12.8 million tons.

Soybean and product exports rose sharply to \$730 million in December, up \$195 million or 71 percent from last December. The former Soviet Union accounted for most of the increase, gaining \$104 million over last December. Other significant gains were registered to the EC (up \$48 million), Taiwan (up \$43 million), and Korea (up \$27 million). For the fiscal year-to-date, exports of soybean and products are up 55 percent in value and 58 percent in volume.

The value of U.S. rice exports for December fell 4 percent to \$75 million, but dropped 23 percent in volume, reflecting higher export prices due to depressed world stocks. Modest gains of \$6 million each occurred to Senegal, South Africa, and Switzerland, with the EC buying \$5 million worth of U.S. rice in December. However, rice exports fell \$25 million to Brazil, offsetting the above gains. Fiscal year-to-date rice exports were largely unchanged in value, but 11 percent lower in volume.

U.S. horticultural sales abroad continued to be a bright spot, growing 13 percent to \$526 million on a 3-percent gain in volume in December. Half of the \$60-million growth over last December occurred in shipments to Japan and the EC, up \$16 million and \$14 million, respectively. Other gainers included Canada, which rose \$9 million to \$158 million, and Mexico which improved by \$4 million to \$21 million. Year-to-date horticultural exports are running 12 percent higher in value which, at almost \$1.8 billion, continues at a record pace.

December sales of unmanufactured tobacco reached \$156 million, falling 19 percent, or \$37 million, from last year. Among those markets suffering losses were Japan, which fell \$41 million (greater than the overall decline), the EC, and Hong Kong (down \$16 million and \$9 million, respectively). Year-to-date exports of unmanufactured tobacco are down 22 percent to \$375 million on a volume decline of 18 percent. Most of the sales decline so far this fiscal year is due to reduced shipments to Japan and the EC, off \$90 million and \$40 million, respectively, from comparable figures last year.

Cotton exports continue to lag from year-ago levels. Sales for December were down 5 percent to \$270 million, but up 2 percent in volume. Declines were most notable to the EC, down \$26 million, followed by drops of \$14 million, \$11 million, and \$8 million, to Japan, Korea, and Mexico, respectively. Significant gains in exports were made to China (up \$22 million), Egypt, and Indonesia (up \$16 million and \$10 million). Export prices are running below last year due to increased competition from greater world production. Year-to-date exports are down 22 percent in value and 13 percent in volume.

Livestock and product exports for December grew 8 percent, reaching almost \$500 million on a 15-percent gain in volume. Exports to the EC rose \$20 million to \$96 million, while sales to Canada grew \$8 million to \$51 million. Sales to Mexico were up \$33 million to \$84 million from last December. During the first fiscal quarter, declines of \$190 million and \$64 million have been recorded in sales to Japan and Korea, respectively, dampening otherwise solid growth. In fact, first quarter exports of livestock products are \$46 million and 109,000 tons higher than last year, representing gains of 3 percent and 20 percent, respectively.

At \$553 million, exports of wood products in December rose 8 percent, or \$42 million, from December 1990. Greater exports to Canada, Mexico, and the EC represent most of the overall gain and more than offset a small drop in sales to Korea. Year-to-date, wood product exports are 3 percent, or \$42 million, ahead of last year's comparable figure.

For more information, contact Tom St. Clair at (202) 720-6821

On February 27, USDA released updated fiscal 1992 forecasts. See pages 24 and 25 for revisions.

Top Five Markets for Major U.S. Commodities

October-December Comparisons



Note: Percentages are computed as the change from fiscal 1991 to fiscal 1992 cumulative totals.
 1/ Negligible exports reported during comparable period last year.

Country Spotlight: Venezuela



As a country which has ridden the wave of the oil boom as well as suffered from its volatility, Venezuela is striving to re-establish itself in the global community. The Government of Venezuela has recently implemented an economic reform package intended to transform a statist, oil-driven economy into a more outward-looking, diversified, and market-oriented one. These changes are expected to provide a mixed bag of opportunities for U.S. agricultural exporters but could position Venezuela as a potentially strong importer of U.S. high-value food exports.

In fiscal 1991, the United States exported \$307 million worth of farm products to Venezuela, making it the fourth largest U.S. market in the western hemisphere behind Canada, Mexico, and the Caribbean Islands. As with Canada and Mexico, the United States is the primary supplier to this South American market, accounting for over 50 percent of the country's total food imports. However, competition is brisk from the

EC, Argentina, Canada, and New Zealand, particularly for high-value consumer-oriented products. Although the United States is the predominant supplier of Venezuela's bulk demand, commanding a 66-percent share of that market in 1990, competitors have a much stronger hold in the consumer-ready market with an 82-percent share.

However, U.S. consumer-oriented exports are showing a definite upward trend, more than quadrupling in value in just 1 year. At \$51 million in fiscal 1991, consumer-oriented exports have hit their highest levels since 1982. Since the reforms were implemented, the United States has witnessed a rise in red meat exports from \$679,000 to nearly \$7 million; an increase in snack food exports from \$432,000 to \$2.6 million; and a jump in fresh fruit shipments from \$163,000 to \$17.9 million. In addition, year-to-date (October-December) statistics show consumer-oriented exports from the United States up 26 percent compared to the same period last year.

There also appears to be potential for U.S. cattle exports to Venezuela. The Government and processors have favored cheaper cattle imports from Colombia in the past, aided by exchange rate benefits and a total exoneration of import duties. However, several factors which are driving the prices of Colombian cattle up has made U.S. higher quality cattle

more attractive. In addition, recent elimination of the import licensing system for whole dry milk presents a new opportunity for U.S. exporters to penetrate this \$40-million Venezuelan market.

The reform has nearly eliminated the system of guaranteed markets and high commodity prices. The prohibitions and quantitative controls on "non-sensitive" products such as fruits and vegetables and processed products were eliminated quickly and the results have been favorable for the United States. However, the new policies on the sensitive sectors, including grains, oilseeds, sugar, milk, and meat, are being implemented in phases. Basic commodities that are considered competitive are provided a tariff band system, which sets a fixed ad-valorem duty supplemented by a variable specific charge when world prices fall below an historical average. However, basic non-competitive commodities will retain quantitative import controls, although many will be shifted to the tariff band system early this year.

Opportunities for U.S. agricultural products in Venezuela will continue to be dominated by the internal demand situation which has suffered some dramatic shocks due to the recent reforms which have caused food prices to rise sharply. The Government is attempting to replace import substitution policies with commercial policies rapidly and this has been difficult for many linked to the previous policies. In the meantime, Venezuela has joined the GATT and virtually opened its market for many horticultural and processed products. Maintenance of this open market will depend on the ability of the current and successive governments to nurture a stable and growth-oriented economy.

For more information, contact Lori Huthoefer at (202) 720-1034

Interested in exporting to Venezuela? Contact Al Persi, FAS ATO. Telephone: (011-58-2)283-2353, FAX: (011-58-2)285-0336.

Venezuela Taking Bold Steps to Reform Old Policies

Venezuela joined the General Agreement on Tariffs and Trade (GATT) Sept. 1, 1990. Despite frustration with lack of progress in the Uruguay Round, Venezuela continues to support a trade position similar to the U.S. position and to other Latin American countries in demanding a drop in agricultural subsidies by the EC. For their part, Venezuela has continued its announced multi-year progressive reduction of tariff barriers. Import licenses are required on some luxury goods and selected agricultural products, but few products are prohibited.

Before 1989, Venezuelan farm policy was based on extensive government intervention. The Government set high commodity prices and guaranteed a market by import prohibitions and discretionary quantitative import controls. In addition, a cheap food policy was maintained by using preferential exchange rates to subsidize imports. The goals of the agricultural reforms initiated in June 1990 have been to remove the incentives to import, to convert from indirect to direct food subsidies, to convert the import regime to tariffs, and to allow the market to determine which crops are competitive.

Product Spotlight: Ice Cream

Agricultural Trade Highlights' product spotlight continues this month with a look at the growth in U.S. ice cream exports. Since 1985, U.S. exports of ice cream have increased nearly tenfold, making it the fastest growing of the products profiled so far.

Whether the current rage in London is molcha almond fudge, or the preference in Tokyo is just plain vanilla, the growing internationalism of the U.S. ice cream industry has been phenomenal over the past several years. Foreign sales have increased at least tenfold since 1985 and more than quadrupled since FAS' AgExporter Magazine highlighted ice cream in 1989. In 1991, consumers of all ages around the globe licked their lips to the tune of \$41 million in U.S. ice cream exports. FAS analysis indicates this pace of growth will continue, with ice cream becoming a \$100-million export by the mid-1990s.

The United States is becoming an increasingly important supplier in global ice cream trade, with most of this gain appearing to have come at the expense of its chief competitor, the EC. Excluding the large volume of EC intra-trade, world trade has nearly quadrupled since 1988, reaching \$113 million in 1990 and should grow to almost \$200 million in 1991. During this period, EC exports fell from 51 to 44 percent of the world total, while the U.S. export share rose from 13 to 27 percent.

As the world's second largest ice cream exporter, the United States imports little ice cream. However, the EC is both the world's largest importer as well as exporter, purchasing 16 percent of total world imports in 1990. Surprisingly, the United States supplied more than half of the EC import market and met virtually no EC competition in two of the most promising ice cream markets--Japan and Mexico. In addition to the EC, other major world exporters are Switzerland, the Philippines, Australia, New Zealand, and Japan, each with 3 to 4 percent of total world trade.

Rising income levels in the Pacific Rim have made the East Asian economies strong markets for all high-value frozen dairy products, especially ice cream. Although Australia and New Zealand provide significant competition, the United States appears to hold a strategic position in Japan, Hong Kong, and Taiwan. 1990 statistics show the U.S. share of these ice cream import markets as 51, 36, and 63 percent, respectively. Hong Kong was the leading U.S. ice cream market in 1987 at \$3.4 million, but growth has since flattened. Taiwan, Indonesia, and Singapore are still in the infant stages of development, as is all of Southeast Asia, but the region offers good prospects for increased sales in the future.

Japan only recently became the largest U.S. ice cream market, following the April 1990 liberalization of its imports. As a result of the GATT-11 Agreement, Japanese ice cream quotas were eliminated and replaced with a 25 to 35-percent ad valorem tariff, depending on sugar weight. Despite the remaining high tariff and zero-coliform standards, exports to Japan doubled in value last year to exceed \$9.9 million and appear to still be heading upward. As of the first quarter of fiscal 1992, the figure is nearly \$3 million ahead of last year at this time. However, imports from the world still represent less than 1 percent of total consumption in Japan's frozen dessert market. Undoubtedly, elimination or at least a substantial reduction in the average 28-percent duty would boost imported product's price competitiveness and its share of domestic consumption.

Several major U.S. producers have taken advantage of new opportunities in Japan. Dreyer's Grand Ice Cream (also known as EDY's in the eastern United States) has been in-

volved in the Hong Kong market since 1978 and entered the Japanese market about a year and a half ago. Through a joint venture with Isho Niwai, a Japanese broker, they now sell 275,000 gallons annually and their premium product is available in a number of Japanese supermarkets and convenience stores.

A recent study of Japanese consumer attitudes revealed the importance of the use of fresh products by U.S. ice cream producers. Most Japanese ice cream is made from butterfat and milk powder, rather than fresh milk and cream. Both freshness and richness seem to positively affect Japanese consumers' willingness to buy U.S. ice cream, in spite of its less "reasonable" price. Dreyer's best-selling flavors of vanilla and cookies and cream sell for \$1.30 per pint and compete tete-a-tete with Haagen-Dazs and Iya, a local product. In fact, Dreyer's has been so successful in Japan, the company is currently expanding operations outside of the Tokyo area into Osaka, Nagoya, and Sapporo. They expect sales to at least double over the next few years.

Europeans may not be as new as Asians to the ice cream scene, but the EC's \$9-million purchases of U.S.-produced ice cream in 1991 is certainly not old hat either. The United Kingdom and France are the major buyers, each accounting for roughly 40 percent of the EC total. British sales of \$3.7 million are relatively unchanged from last year, but U.S. ice creams should profit from the market's change to milkfat from vegetable fat products. Although per capita consumption is lower than in the UK, France is now a \$3.4-million market for U.S. suppliers, up from virtually no sales in 1988.

Street vendors who sell ice cream are popular in Europe. Markets such as Spain and Italy are dominated by these impulse sales and depend heavily on seasonal demand. However, purchasing the product on impulse in the street is different than buying it in a grocery store. Commercial ice creams in Europe are

...Ice Cream

considered shabby by many street connoisseurs. Europeans like the rich gelato-style ice cream sold by the push-cart vendor. For this reason, U.S. companies such as Haagen-Dazs, have had tremendous impact in the supermarket by providing the same richness and quality Europeans are used to finding on the street corner.

The take-home market is now the fastest growing throughout all of the EC, particularly in France. In 1990, 70 percent of ice cream was purchased in supermarkets where sales grew by 15 percent. Consumption levels in the UK take-home market are expected reach 450 million liters by 1993. The impulse sector in Germany is declining, but still feeds a substantial amount of demand. Actually, Germany is one of the most sophisticated ice cream markets in Europe, due to its competitive level of product innovation.

Europe appears to be a growing market for ice cream, but the degree to which the United States will be able to partake in this growth is questionable. With the EC's move toward political and economic unity in 1993, some U.S. companies are concerned that "Fortress Europe" may hinder U.S. ice cream sales. Many pan-European brands are emerging as a result of recent merger and consolidation activities among West European ice cream

manufacturers. Most are by Unilever, the world's largest producer of frozen dairy deserts and dominant European supplier.

Manufacturers within the EC are likely to feel the long-term effects of increased competition from one another when internal trade barriers fall in 1993 as well as short-term difficulties in conforming to new European standards. Upcoming plans by U.S. companies to penetrate or expand in these markets also may encounter stumbling blocks. However, not all U.S. competitors are backing away from the challenge. Last year, Haagen-Dazs, a player in the French market since June of 1990, announced its plans to complement its rapidly growing sales to the Community with the construction of a new plant in France.

The Mexican frozen desert market is not well developed yet, but ice cream is popular and U.S. exports have made impressive strides in the past several years. Sales jumped to \$5.1 million in 1991 from roughly zero just 3 years ago and first-quarter numbers for fiscal 1992 are already showing impressive gains. Although the United States dominates Mexico's imported ice cream market, the latest statistics show that total imports account for only 4 percent of the overall market.

Most ice cream purchased in Mexico is of the nonbranded artisan type

bought from street vendors and dip shops. Unfortunately for imports, supermarkets are currently the smallest distribution channel. However, despite a 20-percent import tariff and the low incidence of in-home freezers, U.S. products are well-received in the import market and have a high-quality image. Higher-priced premium ice creams will continue to grow in popularity as Mexicans are better able to afford them. Mexico's annual per capita income of less than \$2000--one-tenth of the United States'--limits increased sales of high-value dairy products to an upper or middle income niche of only 31 million of Mexico's 80 million people.

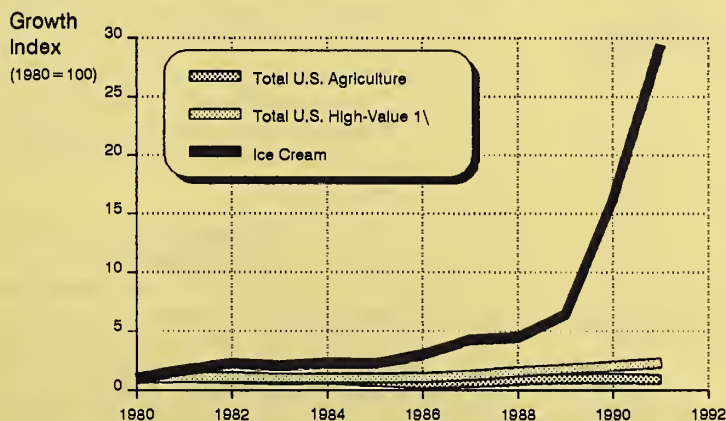
So far, Texas-based Blue Bell Creameries' recent investment in the Mexican market appears to be paying off. According to the *Ice Cream Reporter*, Blue Bell is expecting to net \$500,000 from its first year of operations in Mexico. Sales are projected to reach \$10-\$15 million per year in the next 3 to 4 years.

The outlook for progress in the Canadian market is less optimistic. U.S. shipments of \$1.3 million last year are a record, but ice cream exports continue to be subject to quotas. Iowa-based Wells Blue Bunny, the second largest U.S. ice cream novelty company, believes it is being denied the opportunity to service customers in Canada, due to the Canadian import quotas. Many other U.S. companies use their Canadian dairy affiliates to test products in the Canadian market, in lieu of market liberalization.

Despite some obvious trade barriers to U.S. product, if the latest trade data is any indication, U.S. ice cream appears to be maturing into a sustainable export. However, U.S. companies must have an ongoing commitment to promoting a high quality image and year-round consumption in all markets if they are to succeed in this highly competitive arena.

For more information, contact Karen Halliburton (202) 720-1299

U.S. Exports of Ice Cream "Melting" the Competition



1\ High-Value includes the value of both intermediate and consumer-oriented exports

U.S. Agricultural Imports Up 3 Percent In First Quarter FY 1992

U.S. agricultural imports rose slightly in the first quarter of fiscal 1992 to \$5.7 billion, up 3 percent from the same period last year. Heavy reductions in meat and sugar imports were offset primarily by sharp increases in imports of cocoa, juice, and spices. As a result, non-competitive products accounted for nearly all the increase in agricultural imports, up 11 percent to \$1.5 billion. Competitive imports were roughly unchanged at \$4.3 billion.

The decline in meat imports during the first quarter was led by beef, down \$60 million (from \$410 million a year ago), and ham, down \$45 million (from \$133 million). The beef situation was dominated by imports from Australia, which were cut \$78 million due to a voluntary restraint agreement. U.S. imports of Australian beef for the remainder of fiscal 1992 are projected to be roughly the same as the final three quarters of fiscal 1991.

Ham imports fell primarily as a result of higher export prices on hams from Denmark, Poland, and Canada, which together command a 90-percent share of the U.S. import ham

market. Danish ham suppliers, traditionally shipping canned products globally, are moving towards producing fresh hams for the EC, leaving less ham available for export elsewhere. Polish ham prices are up due to higher production costs, continuing a 2-year trend that has substantially raised the price of polish hams relative to others in the world market. Poland's share of the U.S. import ham market dropped from 22 percent in fiscal 1989 to 9 percent last year.

... non-competitive products accounted for nearly all the increase in agricultural imports. . .

Another major U.S. import showing a large drop in the first quarter was cane sugar, falling by almost \$50 million due to a 34-percent reduction in the U.S. cane sugar import quota. The reduced import ceiling will likely continue through 1992 unless U.S. production is unexpectedly short.

Offsetting these declines, the United States imported significantly more tropical products, such as cocoa beans and spices, fruit concentrates, and grain products such as corn.

Cocoa bean imports totalled \$129 million in the first quarter of fiscal 1992, up from \$71 million in the previous quarter and \$48 million a year ago. Higher imports from the Cote d'Ivoire, Ghana, and Indonesia accounted for the majority of the increase.

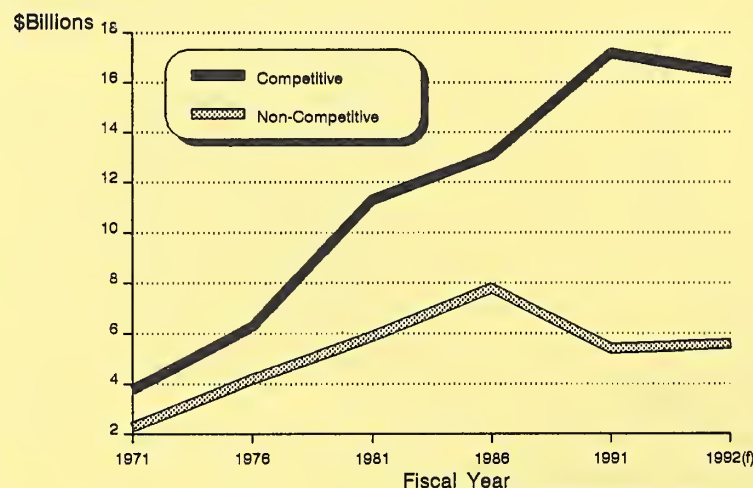
Imports of fruit concentrates surged to \$247 million from \$200 million in the same period last year. All of the major fruit concentrate imports rose, led by apple juice concentrate, up \$38 million to \$88 million, and orange juice concentrate, up \$9 million to \$105 million. During the past year, Germany became a major supplier of apple juice concentrate to the United States, as imports more than doubled to \$21 million in the first quarter compared to the same period last year.

Corn imports, almost entirely from Canada, surged to \$16 million in the first quarter, up from \$2 million in the first quarter last year. Larger than normal supplies in Canada have driven down export prices making these imports attractive, particularly for buyers in the northeast United States.

Coffee remained the top U.S. agricultural import at \$464 million, up from \$440 million a year ago. The volume of coffee imported rose sharply to 315,000 tons from year-earlier levels of 270,000 tons, due mainly to lower prices. The rise in the value of coffee imports slightly reverses a 5-year downward trend from \$3.2 billion in fiscal 1986 to \$1.8 billion in fiscal 1991. (Quantities imported have been mostly flat over the same period).

For more information, contact Mike Woolsey at (202) 720-2841

Competitive Imports Show Dramatic Growth Over Last 20 Years; Forecast Down For 1992



Noncompetitive imports do not compete with U.S. production and include: bananas/plantains, coffee (incl. processed), cocoa (incl. processed), rubber/allied gums, spices, essential oils, tea, and carpet wools.

U.S. Agricultural Imports

Monthly Performance Indicators and Fiscal Year-to-Date Comparisons

By Commodity (\$Millions)	December		%	October-December		%
	1990	1991	Change	1990/91	1991/92	Change
Fruits and vegetables	663.3	724.3	9.2%	2,039.4	2,111.3	3.5%
Bananas and plantains	74.5	82.3	10.5%	229.5	243.6	6.1%
Other fresh fruits	50.3	58.2	15.8%	107.7	126.4	17.3%
Fruit and veg. juices	66.1	95.4	44.3%	200.6	247.1	23.2%
Edible tree nuts	44.3	36.3	-18.1%	149.8	132.0	-11.9%
Wine and wine products	78.8	74.3	-5.7%	333.3	318.1	-4.6%
Sugar and tropical products	451.8	534.3	18.3%	1,364.3	1,430.5	4.9%
Sugar & related products	69.6	86.9	24.9%	269.3	201.4	-25.2%
Cocoa & cocoa products	79.5	109.5	37.7%	244.1	319.8	31.0%
Coffee & coffee products	161.8	190.4	17.7%	440.7	468.8	6.4%
Spices	26.1	35.2	34.9%	78.8	102.1	29.6%
Rubber & allied products	64.0	56.5	-11.7%	179.4	179.3	-0.1%
Livestock and products	396.1	350.5	-11.5%	1,222.7	1,089.7	-10.9%
Live animals	115.5	106.5	-7.8%	342.8	333.3	-2.8%
Beef and veal	161.1	125.9	-21.8%	474.9	413.9	-12.8%
Pork	69.4	56.5	-18.6%	248.2	176.9	-28.7%
Grains and feeds	104.5	117.8	12.7%	353.1	390.9	10.7%
Oilseeds and products	71.0	77.8	9.6%	228.1	246.3	8.0%
Cotton and products	13.9	17.7	27.3%	39.9	47.6	19.3%
Tobacco products	32.4	30.3	-6.5%	124.8	162.5	30.2%
Dairy and poultry products	74.5	89.7	20.4%	252.1	267.3	6.0%
Agricultural Total	1,807.4	1,942.5	7.5%	5,624.3	5,746.2	2.2%

By Region (\$Millions)	December		%	October-December		%
	1990	1991	Change	1990/91	1991/92	Change
EC-12	371.8	382.9	3.0%	1,302.4	1,271.1	-2.4%
Italy	69.2	71.7	3.6%	242.4	250.9	3.5%
France	56.4	58.6	3.9%	233.1	232.3	-0.3%
Netherlands	56.0	55.4	-1.1%	212.5	187.9	-11.6%
North America	459.0	490.8	6.9%	1,378.6	1,450.1	5.2%
Canada	239.9	278.6	16.1%	832.5	912.8	9.6%
Mexico	219.1	212.1	-3.2%	546.1	537.2	-1.6%
South America	318.7	355.3	11.5%	923.2	917.1	-0.7%
Brazil	144.1	128.9	-10.5%	383.1	350.0	-8.6%
Colombia	68.4	94.8	38.6%	199.6	220.3	10.4%
Asia	234.7	267.9	14.1%	690.4	762.4	10.4%
Indonesia	62.8	67.9	8.1%	175.0	201.8	15.3%
Thailand	37.6	49.7	32.2%	105.2	137.5	30.7%
Oceania	164.1	121.3	-26.1%	485.2	396.2	-18.3%
Australia	105.5	60.7	-42.5%	330.7	232.4	-29.7%
New Zealand	58.2	59.5	2.2%	150.4	157.1	4.5%
Central America	87.8	112.4	28.0%	271.4	300.1	10.6%
Middle East	33.3	27.7	-16.8%	101.5	109.8	8.2%
Africa	38.4	57.6	50.0%	119.3	179.1	50.1%
Other West Europe	31.1	30.5	-1.9%	105.1	94.7	-9.9%
Fmr. Sov. Union/E. Europe	27.7	33.8	22.0%	92.5	97.2	5.1%
South Asia	21.7	27.0	24.4%	75.6	87.9	16.3%
Caribbean	15.2	21.2	39.5%	68.3	57.6	-15.7%
North Africa	3.9	14.2	264.1%	11.0	23.0	109.1%
World Total	1,807.4	1,942.5	7.5%	5,624.3	5,746.2	2.2%

Recent Trends in Global Agricultural Trade Show Consumer-Oriented Exports Surpassing Bulk . . .

Agricultural Trade Highlights recently finished an analysis on the state of global agricultural trade and the U.S. competitive position. The results confirm the view held by many that despite high tariffs and restrictive non-tariff barriers that prevail in many countries, global agricultural trade is a dynamic growth-oriented industry that offers U.S. exporters both opportunities and challenges. However, it is also an industry that is undergoing tremendous changes that are challenging traditional views of international agricultural trade, its product mix, and the nature of competition.

Worldwide agricultural exports reached a record \$208 billion in 1990 (excluding EC intra-trade), marking 5 straight years of growth that has seen global trade expand by almost 7 percent a year. The United States continues as the world's largest exporter with 1990 shipments totaling almost \$40 billion followed closely by the EC, whose sales to all non-EC markets grew to \$37.8 billion. Australia was a distant third with exports totaling \$11.6 billion.

However, while interesting, these numbers are deceiving since they only address trade performance in an aggregate sense, thereby masking important changes taking place in the world trade picture. Two of the most significant include: 1) a significant shift in global trade towards consumer-oriented high-value prod-

ucts and 2) a change in export leadership.

One of the most significant areas of change has been in the product mix of global trade. Bulk commodity trade, once the dominant force in international agricultural trade and the mainstay of U.S. exports, greatly diminished in importance throughout the 1980s and continued to do so in 1990. This sector now accounts for barely a third of global agricultural exports, down from over 47 percent in 1983 (see Figure 1). The reduced role of bulk commodities is the result of world trade in these products contracting by 4 percent, or \$3 billion, since 1983 while global trade in all agricultural products has expanded by 32 percent, or \$50 billion.

On the other hand, international trade in consumer-oriented, high-value products has expanded in

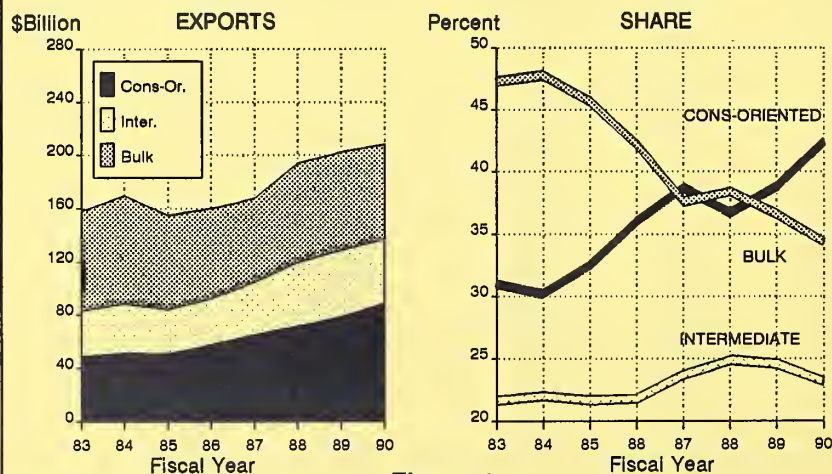
This analysis excludes EC intra-trade from its global trade figures (intra-trade was estimated at \$100 billion in 1990). While performing this adjustment greatly increases the complexity of compiling these statistics, most economists believe it gives a far more accurate picture of global trade and competitiveness. Due to this adjustment, many of these statistics do not match previous releases by USDA or other government agencies. It also alters the conclusions drawn from previous analyses.

value by over 80 percent since 1983. By 1987, growth had become so pronounced that it had overtaken bulk commodities to become the largest of the three market segments that comprise global agricultural trade (the third segment--intermediate goods--has also declined in terms of share of global trade, after posting moderate gains through the mid 1980's). By 1990, consumer-oriented products had risen to account for over 42 percent of the total, while bulk commodities' share had fallen to 34 percent.

The reasons for such a profound shift to high-value trade are many, centering not on supply considerations but on rapidly changing demand factors that take the form of rising incomes in major markets, reduced levels of border protection, changing tastes and preferences, and demographic developments (such as the rise of two-income families, growing ownership rates abroad for refrigerators and microwaves, growing popularity of Western-style supermarkets and restaurants, etc.). These trends are likely to continue developing over the next 3-6 years at which time consumer-oriented products are projected to substantially exceed 50 percent of global agricultural trade.

Another change that is taking place, which is strongly related to the change in product mix, is in export leadership. While the United States

Consumer-Oriented High-Value Exports Increase Domination of Global Agricultural Trade



Note: Data exclude EC intra-trade

Figure 1

... as EC gains on U.S. as Top Agricultural Exporter

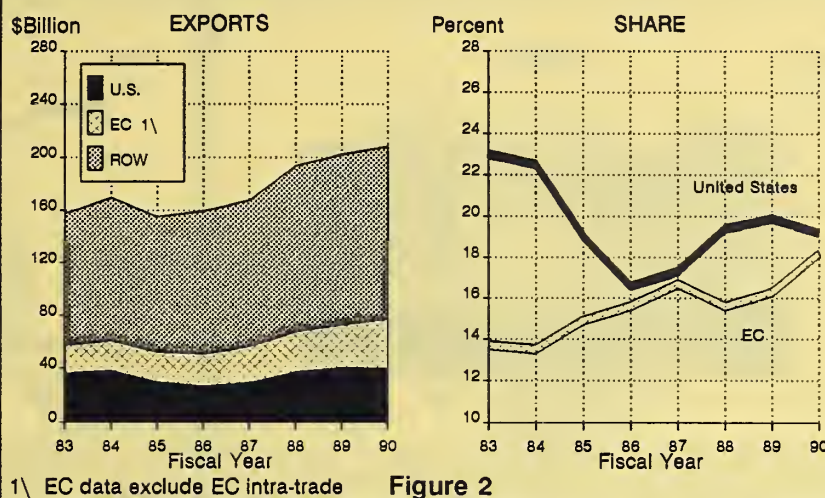
has traditionally been the world's leading agricultural exporter and remained so in 1990, its dominance was seriously eroded during the 1980s as world trade shifted in favor of high value products while U.S. efforts continued to focus on bulk commodities (see Figures 2 and 3). Unfortunately, the situation continues to worsen. While the final numbers are not in yet, FAS projects that in 1991, the long-time U.S. lead likely disappeared altogether as EC exports continued to rise while the value of U.S. shipments abroad remained stagnant. Whether this development is merely a short-term phenomenon or part of a longer term trend is still unclear. However, one thing is clear--this development is largely the result of the EC's success in consumer-oriented export expansion, not its growth in bulk commodities (i.e., wheat and barley) as many might expect.

Unlike U.S. exports where bulk products still comprise the largest segment (almost 50 percent), EC agricultural exports are comprised primarily of consumer-oriented products (fresh and processed horticultural products, wine and beer, meat, dairy, bakery/pasta products, and miscellaneous processed foods) which account for 63 percent of all its agricultural exports and 70 percent of the \$16-billion gain in its agricultural exports since 1983.

Agricultural products moving into the world market can be classified into three major product groups: bulk, intermediate, and consumer-oriented. Bulk commodities are those that are free from processing and tend to be covered by U.S. price support programs. These include products such as wheat, rice, feed grains, soybeans, unmanufactured tobacco, cotton, and pulses. They also include a number of tropical products that are not produced in commercial volume in the United States such as coffee and cocoa beans, rubber, and tea.

Intermediate products are principally semiprocessed products in the intermediate stage of the food chain, such as wheat flour, feeds and fodders, hops, live animals, planting seeds, oilseed meals, vegetable oils, hides and skins, wool, and refined sugar. Consumer-oriented products are fundamentally end products that require little or no additional processing for consumption. Included in this group are such items as fresh and processed horticultural products, fresh and processed meats, snack foods, pet foods, beer and wine, and other processed food products.

United States and EC Vie For Top Spot as Largest Agricultural Exporter



U.S. exports of consumer-oriented products, though smaller than bulk exports, are the fastest growing segment, more than keeping pace with global trade trends and moving to new record highs in each of the last 4 years. The consumer-oriented share of total U.S. agricultural exports nearly doubled since 1985 to 30 percent in 1991 (see Figure 4). The share comprised of bulk commodities dropped from nearly two-thirds to under a half during the same time period. Most U.S. consumer-ready exports are horticultural products, led by fresh fruits and vegetables (\$2.4 billion in 1991), processed fruits and vegetables (\$1.4

billion), and tree nuts (\$867 million). Other major exports include red meats (\$2.7 billion), snack foods (\$627 million), pet foods (\$330 million), and wine and beer (\$316 million). Among bulk commodities, wheat has slumped the most, down from over \$6 billion in 1989 to just over \$3 billion in 1991. Coarse grains remain the largest U.S. bulk export, but these too have dropped, from nearly \$8 billion in 1989 to \$5.6 billion in 1991. More stagnation in U.S. bulk exports is anticipated, with annual growth rates expected to average roughly 2 percent for the next 3-6 years.

U.S. exporters, working important consumer-ready markets such as Japan and Canada, report a growing demand for their products. Their findings suggest that while serving the world consumer-ready market is far more demanding than supplying bulk commodities, requiring an ability to formulate, package, and market products that meet unique tastes foreign to the home market, those aggressively pursuing this channel can look forward to a bright future.

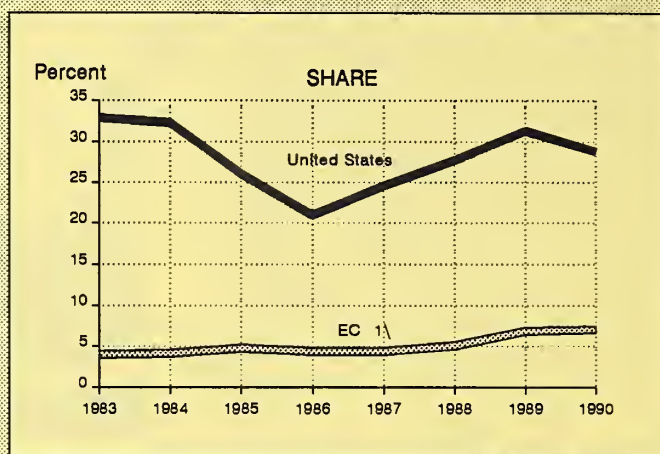
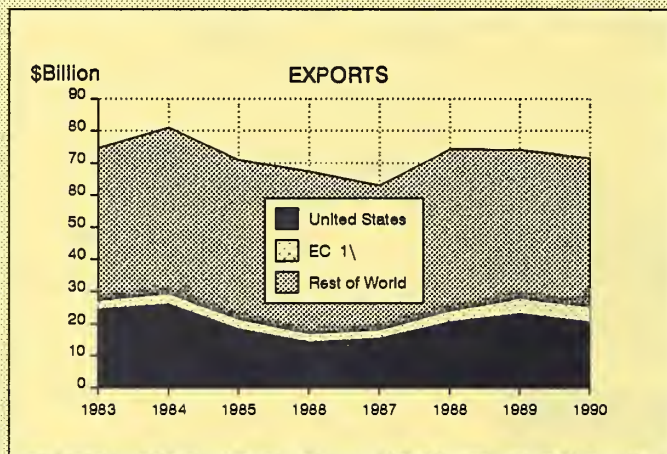
For more information, contact Mike Dwyer at (202) 720-1294

... Global Trade

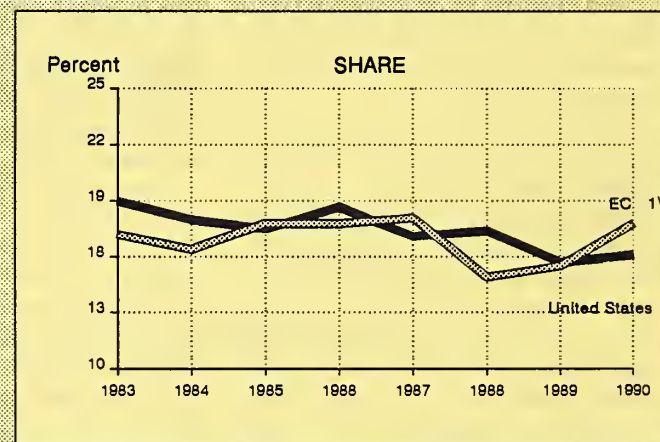
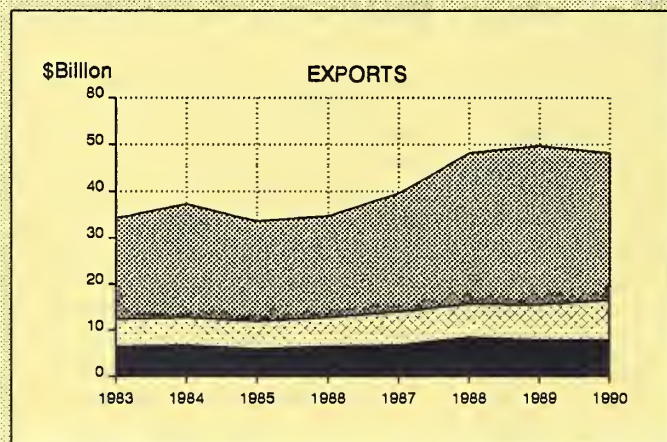
United States Largest Bulk Exporter, But Lags Behind in High-Value Trade

Figure 3

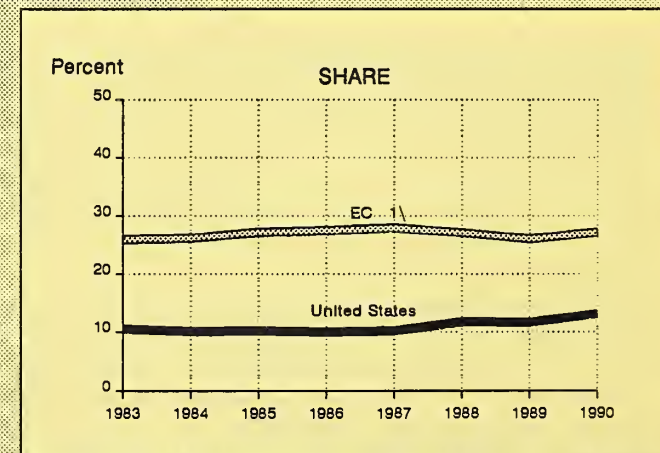
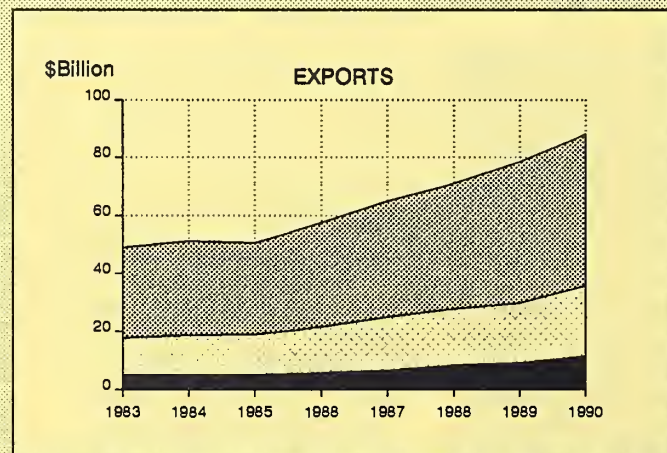
Bulk



Intermediate



Consumer-Oriented



1/ EC data exclude EC Intra-trade

... Global Trade

Consumer-Oriented Share of U.S. Agricultural Exports Rises

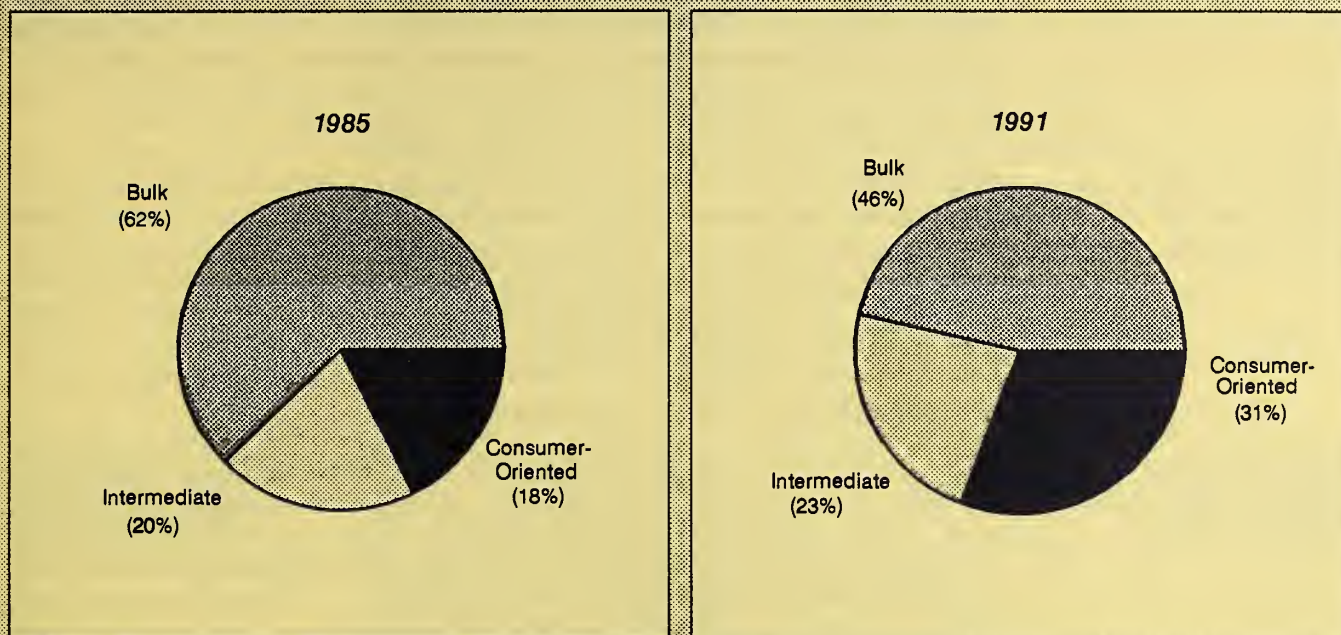


Figure 4

EC and United States Lead Consumer-Oriented Trade ... Japanese Import Market Growing

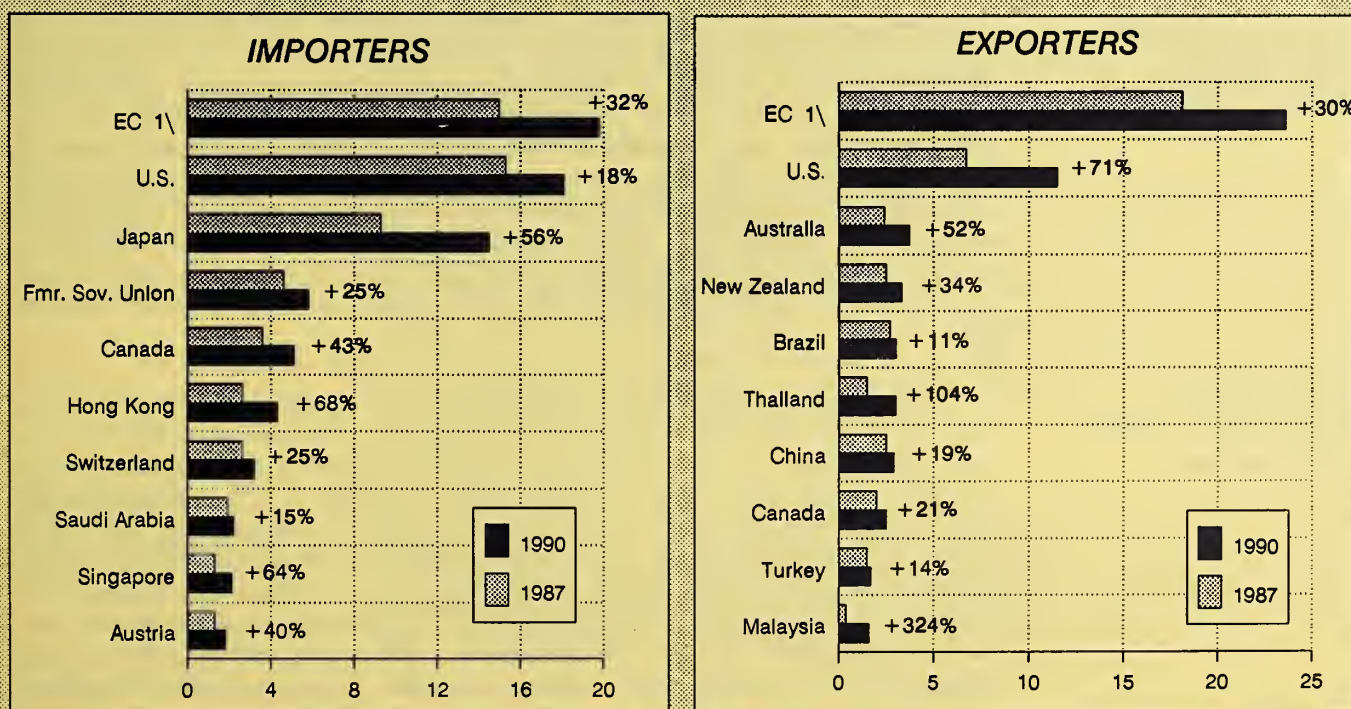


Figure 5

1/ EC data exclude EC Intra-trade

Trade Policy Updates

Russia Decreases VAT on Food Products

The value-added tax on many processed food products will be reduced from 28 percent to 15 percent. Items included in the reduction include yogurt, flour, pasta, cereals, milk, and cooking oil. Estimated loss of tax revenue from the measures is 25-30 billion rubles in 1992. The motivation for this reduction is an attempt to alleviate some of the burden borne by consumers in light of the recent price liberalization. Reduction of the tax to 15 percent should effectively reduce prices on those goods by 10 percent.

Canada Places Restrictions on U.S. Potato Imports

Agriculture Canada has suspended all import permits for seed potatoes from California due to the second discovery of PVY-n virus in potatoes originating in California. Table and processing potatoes from California will have to be accompanied by a phytosanitary certificate stating the potatoes were treated with a registered sprout inhibitor. USDA had recently broadened the coverage of its restrictions on U.S. imports of Canadian seed, processing, and table stock potatoes due to increased incidences of PVY-n in Canadian potatoes destined for the United States. PVY-n is a virus that is carried by potatoes which affects tobacco, tomatoes, and peppers.

Mexico's Quality Inspection Requirements for Grain Imports

USDA officials and U.S. grain exporters have received verbal assurances from Mexican authorities that Mexico will not implement new regulations on quality inspection for grain imports. The proposed new regulations would have required all grain imports, including shipments by truck from the United States, to be officially inspected for quality (and for aflatoxin in the case of corn and sorghum). The verbal agreement with Mexico will continue to allow for unofficial quality inspection of truck shipments from the United States. The new regulations would have had little, if any, impact on U.S. grain shipments via sea or rail. However, the regulations would have adversely affected the substantial volume of truck shipments of grain from southern Texas, where official inspection is not currently available.

Government of Israel (GOI) Considers Imposing New Variable Levies

As of mid-February the Government of Israel was considering imposing new agricultural variable levies (AVL) on wheat, pasta, and potato products. These actions were being considered in response to changes in domestic agricultural policy. The imposition of an AVL on wheat imports from the United States would be used to encourage millers to purchase more domestically grown wheat. A small AVL currently exists on U.S.-origin pasta, but the Government is considering raising it. Also, new import licenses for pasta are reportedly not being issued. In addition, two potato chip products are now being denied import licenses (due to an Harmonized System reclassification) and will soon have an AVL instituted. These contemplated actions are only the latest in a long line of non-tariff barriers to agricultural trade erected by the Israeli Government.

China and the United States Discuss Johnsongrass

A Chinese delegation consisting of representatives of Ceroilfoods, China Animal and Plant Quarantine (CAPO), and Ministry of Commerce visited several locations in the United States regarding the presence of Johnsongrass (*Sorghum halapense*), an item of quarantine significance present in approximately 15 percent of U.S. wheat shipments. The delegation also met with representatives of producers and exporters and USDA officials to discuss the problem. As a result of their visit and discussions, the Chinese delegation recognized there was no quick solution to the problem and requested the United States to investigate practical approaches to minimizing or eliminating the presence of Johnsongrass in U.S. wheat shipments. U.S. participants agreed with these suggestions and will initiate steps to evaluate the issue. In the meantime it is expected that U.S. wheat shipments containing Johnsongrass seed will continue to be allowed entry into China.

...Trade Policy Updates

Uruguay Round Agriculture Negotiations

On Dec. 20, 1991, GATT Director-General Arthur Dunkel released a draft agreement covering all of the negotiating areas of the Uruguay Round (see January issue). At a Trade Negotiations Committee meeting in Geneva the week of January 13, Dunkel laid out a time-frame and a process for concluding the negotiations and finalizing the texts. By April 15, Dunkel wants to have the texts finalized and initialed by all of the participants. In the agriculture negotiations, country schedules detailing the reduction commitments in the three areas of internal support, market access, and export subsidies are supposed to be completed and submitted to the GATT by March 2. Intensive negotiations will then be undertaken on the basis of these schedules.

While all participants will apparently engage in the country schedule exercise, a number of countries, including those of the EC and Japan, are still seeking fundamental revisions to the draft text. The U.S. position is that the draft text on agriculture could be improved in a number of important areas, but is an acceptable basis for concluding the negotiations.

First Meeting of The Reconvened GATT Panel on Oilseeds

The first meeting of the reconvened GATT Panel on oilseeds concluded February 4 in Geneva. The United States emphasized that the new EC oilseeds regime would continue to nullify and impair benefits under the zero-duty binding. The U.S. team argued the general level of EC support remains unchanged and that the EC had not restored the competitive price relationship between domestic and imported oilseeds, as required by the Panel in its original 1989 report. The EC maintained that the new regime addressed the original Panel's concerns that EC producers were completely insulated from world prices. The Community's view of the terms of reference for the reconvened Panel allowed only for a ruling on this issue. According to the EC, action beyond a ruling of this nature would require another panel. The Panel is to submit its final report, including findings and conclusion, on March 3.

Meeting of NAFTA Agriculture Negotiations Group

U.S., Canadian, and Mexican negotiators met during the week of February 17 in Dallas, Texas for the purpose of discussing outstanding issues and putting together a bracketed draft text on agriculture. Details of the discussions were not available at the time of this writing.

Price Developments in Moldova

Prices in Moldova have increased sharply again, this time due to an influx of rubles from Ukraine. With the introduction of a coupon system in Ukraine, the rubles that Ukrainians were holding are comparatively worthless. As a result, they have been traveling to the other Republics, and bidding up prices on goods that are not available in Ukraine. Moldova has been a favorite target, both because of its proximity and its large agricultural base. Moldova officials worry that reserves they counted on to carry the Republic through the winter months are being drawn down by this Ukrainian spending spree. Customs checkpoints have been set up to try to curb this activity, but are viewed as being largely ineffective.

Automation for Russian Customs

Russia is taking a major step in improving its ability to conduct trade with the rest of the world. The Russian Government has signed a contract with a Washington software firm to design and develop an automated customs package to facilitate moving cargo through St. Petersburg. The port currently handles 75 percent of the Republics' foreign trade. The first phase of the system is expected to be complete within 2 years.

...Trade Policy Updates

Materials Available

- U.S. Agricultural Trade--Exports and Imports (January 1992)
- The U.S.-EC Enlargement Agreement (Revised January 1992)
- U.S.-Canadian Free Trade Pact and What It Means to U.S. Agriculture (Revised December 1991)
- The Attache Educational Program (December 1991)
- Export Enhancement Program (Revised November 1991)
- Agricultural Trade Policy and Trade for Central and Eastern Europe (Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Romania, and Yugoslavia)--Revised December 1991
- How to Get Help With Exporting U.S. Agricultural Products to the (Former) Soviet Union (November 1991)
- Trade Policies and Market Opportunities for U.S. Farm Exports: 1990 Annual Report (August 1991)
- Helping Small and Disadvantaged Businesses Export Food and Agricultural Products (August 1991)
- U.S. Legislation to Counter Unfair Foreign Trade Practices (Revised May 1991)

The Trade Policy Updates are prepared monthly by the Trade Assistance and Planning Office, Foreign Agricultural Service, U.S. Department of Agriculture. Interested U.S. parties may send requests for copies of materials listed above to the *Trade Assistance and Planning Office, 3101 Park Center Drive, Suite 1103, Alexandria, VA 22302. Tel: (703) 305-2771, FAX: (703) 305-2788.*

Market Updates

Japan to Buy More U.S. Wheat

Japan reportedly may import an additional 200,000 tons of wheat from the United States because of Australia's limited supplies of prime hard wheat. Japan normally buys 900,000 tons of wheat annually from Australia under a long-term agreement and about 3 million tons from the United States. This is the third agreement that Australia has had to renegotiate downwards.

Taiwan Pork Exports to Japan are Expected to Rebound

Although Taiwan's pork imports through the port of Nagoya have been suspended since the middle of December 1991 due to tax evasion cases uncovered by the police, Taiwan's pork exporters do not expect pork exports to Japan to drop for the 1992 marketing year. The five Japanese importers who were exposed by police had been importing most of the pork coming from Taiwan. Reports do not indicate whether Taiwan's pork exporters expect the suspension on shipments through Nagoya port to be lifted or whether alternate channels will be expanded. Analysts on Taiwan also report that despite the recent drops in hog prices, there is no evidence that the price decline is related to a decline in exports. Traditionally, December through March is a slower period for pork exports due to lower market demand in Japan.

Japan Government Attempts to Restrain Beef Imports

The U.S. Agricultural Office in Tokyo has confirmed that the Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF) gave administrative guidance to major importer associations and manufacturers to restrain beef imports in an effort to stabilize domestic beef prices. Reportedly, MAFF first contacted major importers and processors in the fall of 1991 requesting that they work together to "manage" the importation of beef. Follow-up phone calls reportedly were made. However, a preliminary survey by the Agricultural Office indicates that major importers are refusing to comply. According to wire services, MAFF strongly denied the allegations, but acknowledged that it may have informally expressed concerns about a recent influx of imports. Due to strong imports during October-December, Japanese wholesale prices have dropped to the lowest level since the April 1991 liberalization of the beef market. The U.S. Agricultural Counselor expects to meet with senior MAFF officials soon to seek an official explanation.

Japanese to Get a Taste of Great American Food

More than 200 U.S. firms, FAS cooperators, trade associations, and Japanese agents are ready to exhibit at the 1992 Great American Food Show, April 14-16, 1992, in Tokyo. The 124-booth show will be the largest display of U.S. food and beverage products ever organized by FAS. Products to be promoted include frozen beef and poultry, seafood, bagels, pasta, popcorn, potatoes, and snack foods. The Rice Council has reserved a booth at the show for an educational display of U.S. rice. Approximately 8,500 Japanese importers, wholesalers, and food industry representatives are expected to attend the show.

Nigeria Becomes Significant Market for Vegetable Oils

In October 1991, the Government of Nigeria waived, until Dec. 31, 1991, the vegetable oil import ban. Local sources indicate the imports under waiver are continuing into 1992. The waivers permit 200,000 tons of crude palm oil and/or refined rapeseed oil to enter the country. This action will benefit Nigeria's hard-pressed consumers as the country goes through the transition from military to civilian rule. The U.S. agricultural attache reports prior to Dec. 31, 1991, Malaysia delivered 60,000 tons of refined palm oil. Additional palm oil imports of 60,000 to 80,000 tons are expected in the near future. These are the first major official vegetable oil imports since 1984 when the Nigerian Government imposed a vegetable oil import ban. Sources also indicated 15,000 tons of rapeseed oil may have been smuggled into the country.

...Market Updates

U.S. May Become Canada's Largest Export Market for Corn

Canadian corn exports to the United States could approach 500,000 tons during the 1991/92 marketing year. Shipments for the first 5 months of the marketing year stand at approximately 158,000 tons, three times the level of corn shipments for all of 1990/91. With domestic consumption remaining fairly constant, three consecutive good corn harvests and attractive export prices, Ontario farmers have been aggressively marketing their exportable corn supplies in 1991/92.

Canada Continues to Undercut U.S. Wheat in Mexico

Canada is reported to have sold wheat to Mexico \$13 per ton below U.S. wheat offers, consequently capturing almost 90 percent of the 281,000 ton tender. Mexican wheat imports have averaged about 625,000 tons per year over the past 5 years, with the United States traditionally supplying around 65 percent and Canada 20 percent of the market's needs. Thus far this year, Mexico has purchased 517,000 tons of its total expected 1991/92 wheat imports of 600,000 tons. Canada has supplied more than 72 percent, and the United States the remainder.

Canada and the Republics of the Former Soviet Union Sign New 5-Year Grain Agreement

A new 5-year grain agreement between the Republics of the former Soviet Union and Canada was signed and announced during President Boris Yeltsin's visit to Canada over the past week. The terms of the new agreement are much like the earlier agreement providing for 25 million tons of grain trade over 5 years. The Canadian Wheat Board credit line of \$1.5 billion will be made available to cover purchases of board grains.

U.S. Apple Exports to Spain, Italy, and Mexico Get Boost--Hit Snag in France

Spain. Following months of work by the Agricultural Counselor in Madrid, the U.S. industry, the Animal and Plant Health Inspection Service (APHIS), FAS/Washington, and the Spanish Ministry of Agriculture have agreed on a protocol that will permit entry into Spain of U.S. apples and pears from the Northwest. The protocol includes a cold treatment requirement.

Italy. On January 17, the Italian Ministry of Agriculture signed a decree allowing extended entry of U.S. exports of apples from 10 U.S. producing states through Feb. 20, 1992, provided shipments have left the United States by Jan. 31, 1992. The first U.S. apples to Italy began arriving earlier this month.

Mexico. Mexico has authorized the addition of eight counties from Oregon and Washington state to be eligible to ship apples to Mexican ports, effective Jan. 16, 1992. Under the original July 25, 1991 agreement with Mexico, five counties in Washington state had been identified.

France. A French importer has reported that a shipment of U.S. apples was prevented from entering the French market when an analysis of a sample taken on January 7 was reportedly found to contain Alar, a substance banned for use in both France and the United States. The issue has since been resolved and the apples were permitted entry.

U.S. Food Exporters Rush to Promote Their Products in Spain and Portugal

The FAS Trade Show Office has signed up 49 U.S. firms for its pavilion at ALIMENTARIA '92, scheduled for March 7-12, 1992, in Barcelona. Demand for exhibit space far exceeded expectations, requiring expansion of the U.S. pavilion by 40 percent. Products to be exhibited include Tex-Mex specialties, frozen pizza crust, seafood, sunflowerseeds, nuts, and frozen yogurt. ALIMENTARIA is now Europe's second largest food show after ANUGA. A media blitz covering Spain's hosting of the 1992 Olympic Games and the 500th anniversary celebrations commemorating Columbus' "discovery" of America fueled interest in the show among U.S. exporters.

Just prior to ALIMENTARIA, FAS will lead a first-time, high-value foods trade mission to Lisbon. Five of the six participating companies are later exhibiting at ALIMENTARIA.

...Market Updates

EC Commission Approves Interim Report on Bovine Somatotropin (BST)

On Jan. 15, 1992, the EC Commission approved an interim report on the use of the Bovine Somatotropin (BST) hormone. The report emphasizes concerns about a drop in demand for dairy products, particularly if no dairy product labeling provisions are made. These concerns are underlined by a recent Commission survey--carried out in Germany, Italy, and the UK--which indicated that consumption of dairy products would decline by as much as 20 percent in some areas if BST were adopted. Consumer groups objecting to BST point out that such yield-enhancing hormones appear to be diametrically opposed to the essence of CAP reform proposals. These groups also charge that the introduction of BST would favor larger farms and signal an intensification of milk production when there is already considerable overcapacity. A final report on this issue is to be presented to the Agriculture Council and the EC Parliament by June 30, 1993.

McDonalds Plans to Open its First Restaurant in Africa

The proposed 200-seat restaurant will be in Casablanca, Morocco, and will be larger than the McDonalds in Paris on the Champs Elysees. If successful, and if other restaurants open, it could have a positive effect on the demand for beef in Africa. Current per capita consumption of red meat stands at about 10 kg per year in Africa. The new restaurant is expected to open within a year.

Morocco Wheat Imports Could Rise in 1992/93

Morocco's 1992/93 wheat imports could double from this year's estimate of 800,000 tons as its wheat crop has deteriorated by some 25 percent compared to last year's record harvest. Morocco normally imports 1 million to 1.5 million tons and has an outstanding EEP balance of about 950,000 tons.

More French Credit to the Former Soviet Union

France has reportedly signed a 2-billion Franc export credit agreement with the republics of the former Soviet Union. The agreement would include, but is not limited to, 2 million tons of wheat and 1 million tons of barley. The credit will be available to both the former Soviet Union and other independent republics able to set up banking relationships to deal with Coface.

Cotton Prices Continue to Fall

Slackening world cotton consumption and ample world supply continue to drive New York futures contract prices downward. The March contract's low of 53.25 cents per pound was reached on Tuesday, January 28 after breaking through the 55 cent per pound barrier on Monday. The recent low represents the lowest price for a nearby month since November 1988. Since prices generally decline as the contract's expiration approaches, analysts expect the March contract to decline further, possibly falling below 50 cents in February. Northern European cotton quotations, which are generally based on nearby New York futures contract prices, also fell steeply. The A-index fell to 57.30 cents per pound on Wednesday, January 29, its lowest level since the beginning of the marketing year (Aug. 1, 1991). The Memphis Territory quote fell to 58.75 cents per pound and remained an A-Index component, but remained more than 2 cents per pound less than the Central Asian quote. The Central Asian Republics, urgently trying to release excess supplies, have discounted prices severely, leading to a world-wide decline in cotton prices.

Rain Damage Could Reduce Mexico's Winter Vegetable Exports

Several weeks of rain in northern Mexico could significantly reduce Mexico's exportable supplies of fresh winter vegetables (principally tomatoes, cucumbers, onions, and peppers). The full effect is not yet known, but the Sinaloa Confederation of Agricultural Associations predicts a 20-percent drop in Sinaloa's winter vegetable exports. Sinaloa is Mexico's leading agricultural state supplying the bulk of exportable vegetables, which compete directly in the U.S. market with winter supplies from Florida.

...Market Updates

Venezuela's New Import Regime

Effective Jan. 3, 1992, three Venezuelan Government resolutions eliminated import licenses for milk and milk products. This presents a new opportunity for U.S. exporters in the market for whole dry milk. The resolutions establish a band system similar to the oilseeds and foodgrain system. If the international price falls below a base price, the difference will be added to the ad valorem duty as a specific tax. The base price is set at 95 percent of the CCC price, which is used as the international price because the GOV defines the U.S. Commodity Credit Corporation as the indicative market for the relevant commodity (nonfat dry milk). Therefore, the specific tax will be nil in the foreseeable future because the base price is below the international price.

Rising Southern African Corn Import Needs

The prospect of drought-impacted corn harvests throughout Southern Africa could increase demand for U.S. corn as South Africa has already curtailed its export program. Zimbabwe and Kenya both reportedly need emergency food aid. Zimbabwe is normally a corn exporter of half a million tons, but had been counting on 100,000 tons from South Africa for delivery before the April harvest. Kenya, which is also normally an exporter, reportedly needs to import 300,000-500,000 tons. In addition, reduced exportable supplies from South Africa could help U.S. exports in Japan, Korea, and Taiwan.

U.S. Food Exporters Keenly Interested in Southeast Asian Market

The FAS Trade Show Office has signed up 65 U.S. firms for its pavilion at Food and Hotel Asia '92, scheduled for April 7, 1992 thru April 10, 1992 in Singapore. The USA Pavilion is one of the largest national stands in the show. Products to be exhibited include beef, poultry, snack foods, canned and frozen vegetables, frozen potatoes, and frozen yogurt. Food and Hotel Asia is the second largest food show in the region, attracting visitors from throughout Southeast Asia.

Just prior to Food and Hotel Asia, FAS will lead a first-time, high-value foods trade mission to Kuala Lumpur, Malaysia. Each of the five trade mission participants is later exhibiting at Food and Hotel Asia.

Large Potential for U.S. Dairy Cattle and Genetics to Kuwait

Kuwait's 20,000-head dairy herd was among the many things decimated by the Iraqi occupation. Kuwaiti dairymen recently turned their attention to rebuilding and are looking to import an estimated 5,000 head of bred heifers and bulls by September 1992. No Kuwaiti governmental assistance is available for these imports. It is reported that 500 German Friesians have been recently sold at a price of about \$1,300 per head. The U.S. ATO reports that U.S. cattle suppliers must compete with the European and Australian prices for these sales.

USDA Sells Surplus Dairy Products to Mexico

USDA announced the sale of \$26 million worth (15,000 tons) of U.S. nonfat dry milk to Compaqia Nacional de Subsistencias Populares (CONASUPO). The 1990 Farm Bill mandates the export sale of 150,000 tons of dairy products by the Commodity Credit Corporation (CCC) each fiscal year through 1995. Sales to date in fiscal 1992 total 37,000 tons.

Thailand Halts Live Swine Imports

In response to local concerns over the outbreak of the Mystery Swine Disease, the Government of Thailand has decided not to grant permission to import any breeding swine from the United States or the following 10 countries--Canada, United Kingdom, Netherlands, Belgium, Germany, France, Spain, Italy, Switzerland, and Greece. Other countries that have recently implemented or have mentioned controls on live swine imports include Mexico, Japan, Taiwan, Korea, and Argentina. Mystery Swine Disease, also known as the Swine Infertility and Respiratory Syndrome (SIRS), is a disease that affects the reproductive and respiratory systems of live hogs.

...Market Updates

Coffee Talks End Without New Agreement

A meeting of the working group of the International Coffee Organization (ICO) from February 5-7 concluded without meaningful action toward a new International Coffee Agreement (ICA). The major disagreement continues to be over the market regulatory system. Some countries are pushing for a return to export quotas, which was the focal point of the most recent pact, but Brazil opposes the idea. The working group did agree on the need to regulate the market. The working group will meet again on April 3, 1992, just prior to the ICO Council, and will report on whether there has been sufficient progress to proceed toward negotiating a new ICA.

Meanwhile, coffee prices are hovering near a 16-year low, as supplies remain well above consumption needs. Reduced buying by the Republics of the former Soviet Union has also added to the slump in global prices. The market has been flooded since export quotas were suspended in July 1989. The current ICA is operating on an administrative basis only and is scheduled to expire on Sept. 30, 1993.

Argentina's 1992 Leaf Exports Expected to Reach Record Levels

Argentina's unmanufactured tobacco exports for 1992 are expected to reach a record 59,525 tons--nearly 37 percent over 1991. Much of this increase is in flue-cured and burley-type tobaccos, which are expected to increase by 20 and 81 percent, respectively. The increase seen in Argentina's leaf trade is expected to result in a noticeable increase in U.S. leaf imports from Argentina, as the United States normally accounts for nearly 25 percent of this trade. Driven by a strong export demand, Argentine total leaf output for 1992 is expected to reach a record 130,350 tons, with flue-cured and burley output increasing by 27 and 45 percent, respectively.

Korea Expands Mark-of-Origin Requirements

On July 1, 1991, Korea initiated a system requiring "country-of-origin" labeling for 250 imported items, primarily, non-agricultural. The initial list included few agricultural-based products. This system appeared to be similar to the United States' system requiring labeling to the first-user level. The stated purpose was to protect consumers from fraudulent product representation, and originally appeared to have little potential impact on U.S. agricultural exports. The Koreans have given notice that, as of April 1992, they intend to greatly expand the commodity coverage. The list will now cover many agricultural commodities (including meat and meat products, dairy products, rendered products, fish, crustaceans, and mollusks in all forms). At this time, it is not clear whether origin labeling is required to the first-user or to the final user. The latter is considered burdensome and there could be potential negative impact on U.S. exports.

Export Enhancement Program (EEP)

The total amount awarded under the EEP with the 5-percent upward tolerance is \$559,343,089.

January 17. USDA accepted bids under the EEP for 12,000 tons of soybean oil to Morocco.

January 21. USDA accepted bids for 240,000 tons of wheat to Egypt.

January 22. USDA accepted bids for 22,500 dozen table eggs to Hong Kong, 132,300 dozen table eggs to United Arab Emirates, and 7,000 tons of soybean oil to the Dominican Republic.

January 23. USDA accepted bids for 564,800 dozen table eggs to Hong Kong.

January 24. USDA accepted bids for 259,800 dozen of medium white table eggs to United Arab Emirates.

January 27. USDA accepted bids for 40 tons of wheat flour to West and Central African Countries, 800 tons of medium grain milled rice to Poland, 255,000 dozen large brown table eggs to Hong Kong, and 360 tons of soybean oil to Turkey. Bids of 110,000 tons of hard red winter and 143,000 tons of northern/dark northern spring wheat were accepted to the republics of the former Soviet Union.

...Market Updates

EEP (Continued)

January 28. USDA accepted bids for 30,000 tons of soft red winter wheat to Morocco, 46,915 of hard red winter wheat to the republics of the former Soviet Union, 637,500 dozen large brown table eggs to Hong Kong, and 26,460 medium white table eggs to United Arab Emirates. Bids of 6,000 tons of barley malt to Dominican Republic, and 48,000 tons of medium grain milled rice to Turkey were also accepted.

January 29. USDA accepted bids for 50,000 tons of soft white wheat to Sri Lanka, 60,000 tons of soft red winter wheat to Morocco, and 6,000 tons of soybean oil to Tunisia.

January 30. USDA accepted bids for 12,000 tons of soybean oil to Tunisia, 1,500 tons of soybean oil to Turkey, 259,500 dozen medium white table eggs to United Arab Emirates, and 225,000 dozen extra large white table eggs to Hong Kong. Bids for 30,000 tons of soft red winter wheat to Morocco, and 25,000 tons of barley to Cyprus were accepted.

January 31. USDA accepted bids for 675,000 dozen table eggs to Hong Kong, and 1,000 tons of medium grain milled rice to Poland.

February 3. USDA accepted bids for 680 tons of cottonseed oil to Mexico, 5,500 tons of barley malt to Dominican Republic, and 127,500 dozen table eggs to United Arab Emirates.

February 4. USDA accepted bids for 264,000 dozen table eggs to United Arab Emirates.

February 5. USDA accepted a bid for 255,000 dozen table eggs to United Arab Emirates.

February 6. USDA accepted bids for 1,446,100 table eggs and 17,500 tons of barley to Israel.

February 7. USDA accepted bids for 22,500 dozen table eggs to Hong Kong and 160 tons of rice to Poland.

February 10. USDA accepted bids for 20,000 tons of rice to Turkey, 950 tons of rice to Poland, and 1,200 tons of soybean oil to the republics of the former Soviet Union.

February 11. USDA accepted bids for 25,820 tons of barley to Israel, 340 tons of cottonseed oil to Mexico, and 406,500 dozen table eggs to Hong Kong.

February 12. USDA accepted bids for 30,000 tons of soft red winter wheat to Morocco, 4,100 tons of northern/dark northern spring wheat to West and Central African Countries, 175,260 dozen table eggs to Hong Kong, and 26,400 dozen medium brown table eggs to Oman.

February 13. USDA accepted bids for 12,000 tons of barley to Israel, and 200 tons of rice to Poland.

...Market Updates

Dairy Export Incentive Program (DEIP)

The total amount awarded under the DEIP with the 5-percent upward tolerance is \$31,221,885.

January 17. USDA accepted bids under the DEIP for 5,000 tons of butteroil to Algeria, and 1,375 tons of nonfat dry milk to Kuwait.

January 21. USDA accepted a bid for 2,000 tons of nonfat dry milk to Algeria.

January 22. USDA accepted a bid for 2,000 tons of nonfat dry milk to Algeria.

January 23. USDA accepted a bid for 12 tons of nonfat dry milk to Panama.

January 24. USDA accepted a bid for 1,000 tons of cheddar cheese to Algeria.

January 27. USDA accepted a bid for 60 tons of nonfat dry milk to Panama.

January 28. USDA accepted a bid for 100 tons of nonfat dry milk to Chile.

January 31. USDA accepted a bid for 5,000 tons of butteroil to Algeria.

February 4. USDA accepted a bid for 20 tons of butter to the Bahamas.

January 5. USDA accepted bids for 20 tons of cheddar cheese to Malta, and 6,000 tons of nonfat dry milk to Algeria.

February 10. USDA accepted bids for 300 tons of nonfat dry milk to Panama, and 5,000 tons of nonfat dry milk to Algeria.

February 12. USDA accepted a bid for 40 tons of butter to the Bahamas.

February 13. USDA accepted bids for 187 tons of nonfat dry milk to Ghana, and 68 tons of nonfat dry milk to the Bahamas.

U.S. Agricultural Exports by Major Commodity Group
Monthly and Annual Performance Indicators and Fiscal 1992 Forecasts

	December			October–December			Fiscal Year		
	1990	1991		1990/91	1991/92		1991	1992(f)	
	--Bil.\$--		Change	--Bil.\$--		Change	--Bil.\$--		Change
Grains & feeds 1/	0.958	1.169	22%	3.131	3.630	16%	12.544	13.3	6%
Wheat & Flour	0.195	0.369	90%	0.725	1.144	58%	3.058	4.3	41%
Rice	0.077	0.075	-4%	0.236	0.237	1%	0.752	0.7	-7%
Feed grains 2/	0.448	0.466	4%	1.359	1.429	5%	5.653	5.3	-6%
Corn	0.378	0.363	-4%	1.132	1.176	4%	4.872	4.5	-8%
Feeds & fodders	0.144	0.161	12%	0.470	0.516	10%	NA	NA	NA
Oilseeds & products	0.506	0.845	67%	1.463	2.237	53%	5.691	6.6	16%
Soybeans	0.343	0.572	67%	0.935	1.428	53%	3.464	4.0	15%
Soybean meal	0.079	0.132	67%	0.232	0.374	61%	0.978	1.2	23%
Soybean oil	0.004	0.026	557%	0.041	0.071	74%	0.192	0.3	56%
Other vegetable oils	0.034	0.034	0%	0.096	0.102	7%	NA	NA	NA
Livestock products	0.459	0.494	8%	1.453	1.499	3%	5.545	5.4	-3%
Red meats	0.188	0.217	15%	0.612	0.684	12%	NA	NA	NA
Hides & Skins	0.120	0.100	-16%	0.376	0.295	-22%	NA	NA	NA
Poultry products	0.072	0.111	54%	0.244	0.334	37%	1.007	1.1	9%
Poultry meat	0.052	0.085	64%	0.177	0.252	42%	NA	NA	NA
Dairy products	0.020	0.078	289%	0.064	0.171	170%	0.367	0.6	63%
Horticultural products	0.466	0.526	13%	1.591	1.787	12%	6.020	6.6	10%
Unmanufactured tobacco	0.193	0.156	-19%	0.481	0.375	-22%	1.533	1.5	-2%
Cotton & linters	0.284	0.270	-5%	0.693	0.566	-18%	2.619	2.4	-8%
Planting seeds	0.071	0.103	46%	0.172	0.219	27%	0.625	0.6	-4%
Sugar & tropical products	0.131	0.145	11%	0.445	0.490	10%	1.582	1.7	7%
Forest Products 4/	0.511	0.553	8%	1.594	1.636	3%	NA	NA	NA
Total Ag. export value	3.161	3.897	23%	9.736	11.308	16%	37.533	40.0	7%
	--MMT-- Change			--MMT-- Change			--MMT-- Change		
Grains & feeds 1/	7.219	8.599	19%	23.201	27.295	18%	NA	NA	NA
Wheat	1.535	3.069	100%	5.910	10.128	71%	26.691	33.0	24%
Wheat flour	0.089	0.064	-28%	0.224	0.130	-42%	1.074	0.9	-16%
Rice	0.293	0.227	-23%	0.839	0.743	-11%	2.418	2.1	-13%
Feed grains 2/	4.311	4.149	-4%	12.804	12.814	0%	51.802	45.9	-11%
Corn	3.598	3.214	-11%	10.607	10.475	-1%	44.496	39.0	-12%
Feeds & fodders	0.836	0.913	9%	2.836	2.906	2%	11.397	11.5	1%
Oilseeds & products	2.026	3.476	72%	5.610	8.907	59%	NA	NA	NA
Soybeans	1.502	2.593	73%	4.020	6.411	60%	15.139	18.1	20%
Soybean meal	0.380	0.581	53%	1.096	1.639	49%	4.648	5.4	16%
Soybean oil	0.006	0.057	933%	0.064	0.152	138%	0.354	0.6	69%
Other vegetable oils	0.055	0.050	-8%	0.143	0.144	1%	NA	NA	NA
Livestock products 3/	0.190	0.220	15%	0.544	0.653	20%	NA	NA	NA
Red meats	0.054	0.069	28%	0.178	0.215	20%	0.744	0.8	8%
Poultry products 3/	0.047	0.082	73%	0.167	0.229	37%	NA	NA	NA
Poultry meat	0.045	0.079	77%	0.159	0.219	38%	0.614	0.7	14%
Dairy products 3/	0.011	0.045	297%	0.035	0.094	168%	NA	NA	NA
Horticultural products 3/	0.433	0.447	3%	1.420	1.481	4%	5.048	5.6	11%
Unmanufactured tobacco	0.031	0.026	-14%	0.074	0.061	-18%	0.239	0.2	-16%
Cotton & linters	0.171	0.175	2%	0.415	0.361	-13%	1.598	1.6	0%
Planting seeds	0.048	0.062	28%	0.105	0.149	42%	NA	NA	NA
Sugar & tropical products 3/	0.086	0.111	30%	0.284	0.311	10%	NA	NA	NA
Total Ag. export volume 3/	10.26	13.24	29%	31.85	39.54	24%	129.35	134.5	4%

NA = Not available.

1/ Includes pulses, corn gluten feed, and meal.

2/ Includes corn, oats, barley, rye, and sorghum.

3/ Includes only those items measured in metric tons.

4/ Wood products are not included in agricultural product value totals.

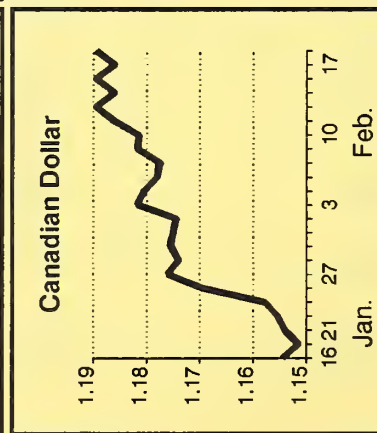
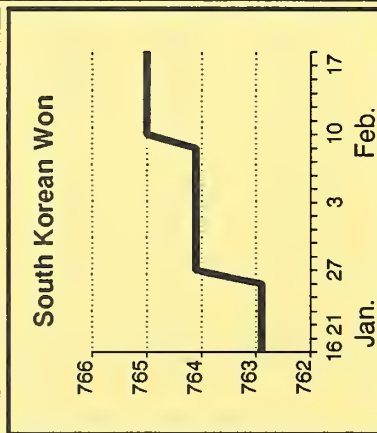
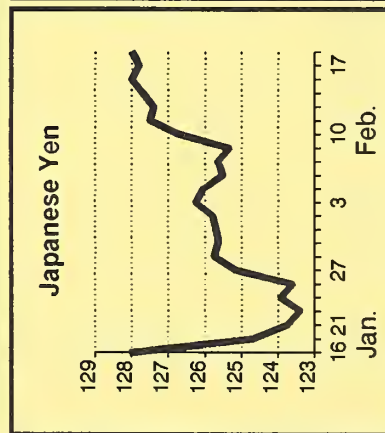
Note--1992 forecasts are taken from "Outlook for U.S. Agricultural Exports," Feb. 27, 1992.

U.S. Agricultural Export Value by Region

Monthly and Annual Performance Indicators and Fiscal 1992 Forecasts

	December			October-December			Fiscal Year		
	1990	1991		1990/91	1991/92		1991	1992(f)	
	-- Bil.\$ --	-- Bil.\$ --	Change	-- Bil.\$ --	-- Bil.\$ --	Change	-- Bil.\$ --	-- Bil.\$ --	Change
Western Europe	0.805	0.889	10%	2.298	2.449	7%	7.310	7.4	1%
European Community	0.757	0.832	10%	2.149	2.285	6%	6.774	6.9	2%
Other Western Europe	0.048	0.057	18%	0.148	0.163	10%	0.536	0.5	-7%
Eastern Europe	0.028	0.027	-4%	0.114	0.046	-60%	0.303	0.2	-34%
Former Soviet Union	0.052	0.279	439%	0.144	0.873	505%	1.716	2.5	46%
Asia	1.251	1.448	16%	3.827	4.106	7%	14.647	15.6	7%
Japan	0.706	0.679	-4%	2.059	2.053	-0%	7.718	8.0	4%
China	0.039	0.062	60%	0.128	0.182	43%	0.667	1.0	50%
Other East Asia	0.390	0.515	32%	1.225	1.358	11%	4.644	4.8	3%
Taiwan	0.138	0.238	72%	0.424	0.584	38%	1.736	1.8	4%
South Korea	0.187	0.209	11%	0.611	0.556	-9%	2.159	2.2	2%
Hong Kong	0.064	0.068	6%	0.191	0.217	14%	0.744	0.8	7%
Other Asia	0.116	0.192	65%	0.416	0.513	23%	1.618	1.8	11%
Pakistan	0.002	0.035	1709%	0.059	0.067	14%	0.143	0.2	39%
Philippines	0.033	0.033	2%	0.103	0.102	-1%	0.373	0.4	7%
Middle East	0.119	0.143	20%	0.372	0.454	22%	1.366	1.6	17%
Iraq	0.000	0.000	0%	0.000	0.000	0%	0.000	0.0	0%
Saudi Arabia	0.060	0.048	-19%	0.157	0.176	12%	0.481	0.6	25%
Africa	0.109	0.150	37%	0.449	0.476	6%	1.819	1.8	-1%
North Africa	0.078	0.115	48%	0.341	0.334	-2%	1.325	1.3	-2%
Egypt	0.040	0.068	70%	0.181	0.176	-3%	0.692	0.7	1%
Algeria	0.021	0.032	50%	0.105	0.110	4%	0.422	0.5	18%
Sub Saharan Africa	0.031	0.035	11%	0.109	0.142	31%	0.493	0.5	1%
Latin America	0.453	0.552	22%	1.328	1.505	13%	5.474	5.7	4%
Mexico	0.189	0.295	56%	0.615	0.726	18%	2.872	3.0	4%
Other Latin America	0.264	0.257	-3%	0.714	0.779	9%	2.601	2.7	0%
Brazil	0.057	0.019	-66%	0.109	0.092	-15%	0.271	0.2	-26%
Venezuela	0.026	0.027	4%	0.077	0.086	12%	0.307	0.4	30%
Canada	0.301	0.357	18%	1.021	1.166	14%	4.395	4.7	7%
Oceania	0.030	0.044	50%	0.105	0.152	45%	0.344	0.4	16%
World Total	3.161	3.897	23%	9.737	11.308	16%	37.534	40.0	7%

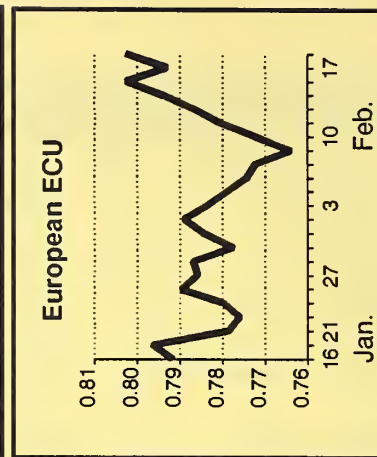
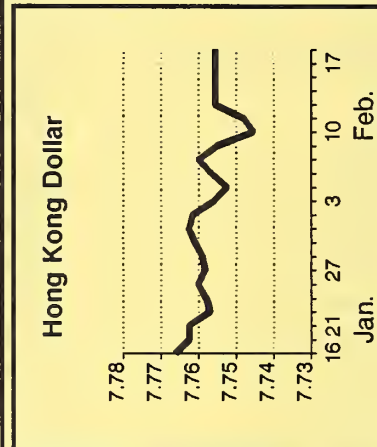
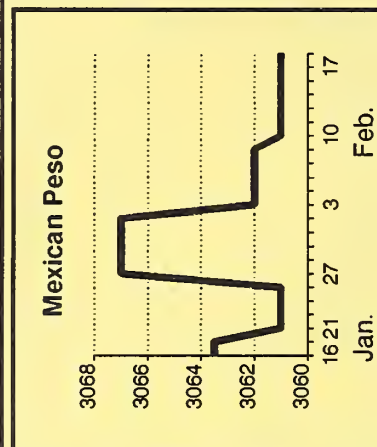
Exchange Rate Movements Of Major World Currencies Vis-a-Vis U.S. Dollar -- Daily Spot Quotations (Jan. 16 - Feb. 18, 1992)



Currencies	Current Rate 2/18/92	Month Ago 1/17/92	Year Ago 2/91	% Change Year Ago 2/91
Argentine Peso 1\	1.00	1.00	.9152	9.27
Australian Dollar	1.3245	1.3483	1.2684	4.42
Brazilian Cruzeiro	1438.90	1200.00	215.65	567.24
Canadian Dollar	1.1895	1.1515	1.1500	3.43
Hong Kong Dollar	7.7555	7.7625	7.7912	-0.46
Japanese Yen	128.00	124.70	131.02	-2.30
Mexican Peso	3061.01	3063.50	2965.91	3.21
Taiwan Dollar	24.76	25.14	26.63	-7.02
South Korean Won	765.00	762.90	717.00	6.69
European ECU	.80257	.79185	.72591	10.56
-British Pound	.5706	.5569	.5101	11.86
-French Franc	5.6006	5.4320	5.0630	10.62
-West German Mark	1.6470	1.5930	1.4879	10.69

I\ The Argentine Austral was recently converted to the Peso at a rate of 10,000 to 1.

NOTE: Exchange rates are daily spot quotes as of 3:00 PM Eastern Time, February 18, 1992.
Source: TEID/TTP/FAS Exchange Rate Database and Wall Street Journal.



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